

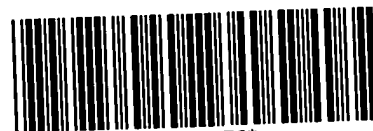
BMO Capital Markets Limited

# Annual Report

For the year ended 31 October 2023  
Registered Number 2928224

BMO  Capital Markets®

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## Annual Report

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## **BMO CAPITAL MARKETS LIMITED**

### **STRATEGIC REPORT**

#### **Review of the Business**

BMO Capital Markets Limited (the "Company" or BMOCLM) comprises **four** specific lines of business, which are further split into separate business units. These are:

#### **1. Equity Products**

##### **1.1. Cash Equity**

The Company has sales teams in London that advise customers in global equities. The Company receives a commission for any orders transacted on the back of this advice. Orders generated by sales personnel in London are settled by BMOCLM. The operations department in London performs all equity processing functions.

##### **1.2. European Electronic Trading ("EET")**

EET is a cloud-based Algorithmic Management System ("AMS") and electronic trading platform that provides transparent, innovative, differentiated electronic trading solutions for institutional assets managers and broker dealers. The platform provides real-time, historical, and pre-trade analytics with full transparency and customisable algorithms and routing protocols.

The AMS provides a fully customisable liquidity sourcing and schedule driven algorithmic suite, real-time routing and symbol performance analytics, order monitoring with message centre, pre-trade analytics, and historical and end of day analytics.

#### **2. Global Prime Finance**

##### **2.1. Equity Finance**

BMOCLM's Equity Finance business is part of Bank of Montreal's ("BMO") Global Prime Finance business. Its staff are based in London and Melbourne (representative office), acting as an intermediary between lenders and borrowers of securities. The Equity Finance portfolio is managed on a matched/conduit basis but also engages in term financing trades as a means of deploying cash against borrowed securities. All positions are collateralised by cash and/or securities. All positions are marked to market on a daily basis with collateral adjusted to market value. The Equity Finance team works with the activities of BMO Capital Markets Corporation ("BMOCMC"), BMOCLM's broker-dealer affiliate in the US and BMOCLM's Delta 1 trading business defined below.

##### **2.2. Europe Delta One Trading**

###### **2.2.1. American Depositary Receipt/Ordinary Share ("ADR/Ord") & Electronic Trading**

The ADR/Ord & Electronic trading book operates as a market maker for ADRs. The desk contributes prices on regulated exchanges and provides liquidity to clients and market participants on request. The strategy is run on a hedged and market neutral basis. The desk utilises the Equity Finance business to help fund long positions as well as cover the corresponding short.

###### **2.2.2. Special Situations**

The overall strategy of the Special Situations desk is primarily to take advantage of price differentials between highly correlated securities by simultaneously buying and selling the different securities, thereby allowing BMOCLM to potentially profit from the relative value of the two securities. The strategy includes arbitrage situations resulting from buybacks, mandatory conversions, dual listing collapse, corporate actions (rights issues, scrip, dividends, tender elections, and mergers) and index rebalances.

## BMO CAPITAL MARKETS LIMITED

### STRATEGIC REPORT (continued)

#### 3. Equity Research

As a part of the BMO Capital Markets global research team, BMOCML's research analysts produce independent research on publicly listed companies and commodities. The distribution of their research is restricted to institutional investors and issuers. BMOCML's research team currently specialises in Metals & Mining companies. In conjunction with the sales team, BMOCML's research provides investment ideas and market information to BMO institutional clients in order to generate commission revenue. Institutional investors are charged a fee to receive research from BMOCML.

#### 4. Investment & Corporate Banking ("I&CB") Advisory

This unit includes a team in London and a representative office in Melbourne and provides Mergers and Acquisitions ("M&A") advisory, Equity Capital Markets ("ECM") advisory, Debt Capital Markets ("DCM") advisory as well as Corporate Broking services. BMO London continues to maintain its metals & mining platform to complement the bank's strengths in North America, Asia and Australia. On specific situations, BMOCML will be involved in cross-border transactions whereby the deal is booked in London due to BMOCML being engaged by the client.

#### Financial Performance

The Company had a profitable year in 2023 with profit before tax increasing from £3,885,000 in 2022 to £7,100,000.

Net fee and commission income was higher in the current year mainly due to higher volumes on Cash Equity agency commission (£13m; 2022: £7m) driven by new client acquisitions and increased penetration of existing clients. Advisory fee income (£20.8m; 2022: £20.5m) earned by the I&CB business also increased on the prior year owing to market conditions. The Hong Kong cash equities business was closed during the year with existing client coverage transferred to London.

Equity Finance revenues (£4.1m; 2022: £1.1m) were higher than the prior year as a result of interest income on swaps and net dividend income included in net interest and dividend income arising on the hedge to the equity total return swap, but were impacted by lower market liquidity due to geopolitical tensions which affected market liquidity. Net trading expense reflects the mark to market on the equity total return swap.

Revenue earned by the ADR/Ord & Electronic trading book (£1m; 2022: £1.8m) decreased, reflecting significantly reduced book sizes.

Special Situations (£2.6m; 2022: £1.4m) had decreased revenues on the prior year resulting from losses on the sale of securities in particular on one deal owing to a regulatory decision.

The year on year increase in expenses (2023: £38.7m; 2022: £38.6m) includes higher clearing house fees due to higher volumes and higher market data costs, offset by higher intra group income.

The balance sheet has total assets of £783m (2022: £1,201m) including liquid assets of UK treasury bills (£72m, 2022: £58m) supranational, sovereign and agency ("SSA") bonds (£25m; 2022: £19m), overnight deposit of £34m (2022: £72m) and a 32 day notice deposit of £20m (2022: nil). Assets were reduced by a credit impairment provision of £2.5m (2022: nil). There was a decrease in ADR/Ord trading activity due to lower limits and less arbitrage opportunities. Securities borrowed or purchased under resale agreements (and reduction in related funding shown in Due to Banks) reduced owing to the close out of collateral optimisation trades. Total liabilities of £591m (2022: £1,014m) were mostly made up of unsettled trades and intercompany balances.

## BMO CAPITAL MARKETS LIMITED

### STRATEGIC REPORT (continued)

The largest net cash flow across the year was a net inflow of £376m (2022: £(217)m outflow) from a reduction in securities purchased under reverse repurchase agreements and securities borrowed, and a net outflow from a reduction in intercompany funding of £301m (2022: £314m inflow).

### Financial Performance

The table below sets out the key results and performance indicators for the year.

	Year ended 31 October 2023	Year ended 31 October 2022
	£'000	£'000
Total operating income	45,768	42,525
Profit before tax	7,100	3,885
Profit after tax	5,281	2,758
Total shareholders' funds	191,996	186,349
Return on assets	0.7%	0.2%
Return on capital employed	3.7%	2.1%

The return on capital employed is calculated by dividing profit before tax by total shareholders' funds. Return on assets is calculated by dividing profit after tax by total assets. The Statement of Income can be seen on page 19.

The Directors of BMO Financial Group manage the Company's operations on a global line of business basis. For this reason, the Company's Directors ("the Directors") believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance and position of the business of the Company. The development, performance and position of the business of BMO, which includes the Company, is discussed in the Group's annual report, and does not form part of this report.

### Future Developments and Prospects

The Company's overall strategy is closely aligned to the wider BMO Capital Markets' vision of being a valued financial partner to our clients by leveraging our people, innovative solutions and capital to help them overcome their challenges and achieve their goals. BMO CML's strategic choices include strong attention to Return on Equity ("ROE") and efficiency ratio and NIAT growth, and behaviours following the Capital Markets Strategic Priorities:

- Be One Client obsessed;
- Drive an inclusive, winning culture;
- Deliver Digital First for speed, scale and simplification;
- Be lead partner in our clients' transition to a net zero world; and
- Manage capital, risk and funding prudently.

In financial year 2024, we will focus to:

1. Build on our strong franchise to drive growth and customer loyalty by continuing to invest in differentiating capabilities and delivering enhanced client experiences;
2. Drive efficiencies by simplifying and streamlining operations, investing in digital capabilities and through cross-bank collaboration; and
3. Foster an inclusive, winning culture, focused on alignment, empowerment and recognition, with a commitment to a diverse and inclusive workplace

## **BMO CAPITAL MARKETS LIMITED**

### **STRATEGIC REPORT (continued)**

#### **Principal Risks and Uncertainties**

The Company faces a number of risks in implementing the Board's strategic plan. The principal risks include: market, credit, operational, liquidity, conduct, funding, group/ reputational, business/ strategic, regulatory, wind-down risks; and environmental, social and governance risks and macroeconomic market conditions. The Board of the Company believes that these risks are satisfactorily mitigated through the comprehensive systems of controls, policies and procedures, and senior management oversight that have been implemented through the business.

#### **Statement by the Directors in Performance of Their Statutory Duties in Accordance with S172 (1) of the Companies Act 2006**

Directors of the Company are required to act in a way that they consider, in good faith, to be most likely to promote the success of the Company for the benefit of its stakeholders as a whole. This requires the Directors to have regard to the:

- Likely consequences of any decision in the long term;
- Interests of the company's employees;
- Need to foster the company's business relationships with suppliers, customers and others;
- Impact of the company's operations on the community and the environment;
- Desirability of the company maintaining a reputation for high standards of business conduct; and
- Need to act fairly as between members of the company.

The Directors also consider the views and interests of a wider set of stakeholders including its shareholders, regulators and counterparties.

When taking key decisions, the Directors receive information from across the Company and the wider BMO Financial Group. Information is shared by stakeholder engagement at an operational level and helps the Directors gain a better understanding of the impact of their decisions on relevant stakeholder interests.

Whilst considering a broad range of interests is an important part of their decision making, the Directors acknowledge that decisions may not result in a positive outcome for all stakeholders.

## BMO CAPITAL MARKETS LIMITED

### STRATEGIC REPORT (continued)

#### Our Purpose: Boldly Grow the Good in Business and in Life

BMO has a deep sense of purpose – to be a champion of progress and a catalyst for change. We leverage our position as a leading financial services provider to create opportunities for our communities and our stakeholders to make positive, sustainable change – because we believe that success can and must be mutual. Our bold commitments for a thriving economy, a sustainable future and an inclusive society are reflected in our active, direct response to today's most pressing challenges:

#### The Purpose Statement

- **Thriving economy** – Providing access to capital and valuable financial advice – investing in businesses, supporting home ownership and strengthening the communities we serve, while driving innovation that makes banking easier
- **Sustainable future** – Being our clients' lead partner in the transition to a net zero world, delivering on our commitments to sustainable financing and responsible investing.
- **Inclusive society** – Committing to zero barriers to inclusion through investments, products, services and partnerships that remove systemic barriers for under-represented customers, employees and communities – and drive inclusion and equitable growth for everyone.

**Ambition 2025** is the cornerstone of BMO's five-year strategy to deliver world class loyalty and growth; a winning culture; increased digitalisation; becoming a lead partner in our clients' transition to net zero; and superior management of risk and capital.

Directors consider BMO's Purpose (above) and Ambition 2025 when taking key decisions.

Examples of how stakeholder interests were considered for the year ended 31 October 2023 are included by stakeholder group below.

#### Customers

The Directors receive regular updates from each line of business as part of their Board materials. These updates highlight issues impacting our clients as well as opportunities to enhance client experience.

This year, with uncertainty on the pace and direction of rate rises, conflicts in Europe and the Middle-East and several high-profile bank failures, the Company helped its clients to navigate ever challenging geopolitical and macroeconomic conditions. The Board supported this through approval of updated risk and liquidity thresholds and bespoke stress scenarios designed to mitigate the impact of client harm.

With the launch of the BMO European Electronic Trading platform last year, the Company was able to offer clients more choice and flexibility in how they trade. This year, the Company expanded this offering with access to Continental European exchanges. The Board also supported enhancements to client trade processing and transaction reporting through new technology investment. This client focus was reflected in various industry awards including Best Algo provider (Market Media Choice), Best Customer Support and Consulting and Best Access to Markets (Trade).

## **BMO CAPITAL MARKETS LIMITED**

### **STRATEGIC REPORT (continued)**

The Board's commitment to improved client experience was further demonstrated in their decision to appoint a new onboarding vendor this year. The appointment followed a nine-month pilot centred on simplifying process whilst effectively managing risk.

Building a sustainable future and becoming our clients' lead partner in the transition to a net zero world is central to BMO's and the Company's purpose. The year, this was reflected in Director discussions on Critical Minerals and Energy Transition opportunities.

#### **Employees**

The Board is committed to maintaining a strong culture aligned with BMO's values. In addition to employee representation in board meetings and strategy sessions, the Executive Directors engage with employees through regular town halls. The Board also receives employee feedback from employee surveys as part of regular Management reporting. This year, the Directors received a report on the Ambition 2025 Winning Culture check-up where the Company had scored highly on themes involving "I feel cared for beyond work" and "I am proud to work at BMO"

The Directors remain committed to talent development within the workforce. This was reflected through their support for the 10k coffees networking platform and associated mentoring programmes and their discussions on leadership planning. They also continue to prioritise a high standard of workplace safety recognising employees' physical and mental health needs.

The Directors are strong advocates for a more inclusive society and continue to champion Diversity, Equity and Inclusion ("DEI") to initiatives. The BMO Engage Diversity and Inclusion, Women in BMO and Human Resources Groups held various events over the year including an interactive panel discussion on Investing in Women and a Women in Banking event hosted by BMO's Chief Human Resources Officer.

#### **Suppliers**

Throughout the year the Directors received regular updates on key third-party vendors. This included reports on the risks associated with key supplier relationships and how those risks are managed. Once again, particular attention was given to operational resilience with Directors approving an updated operational resilience Framework with a focus on important business services and impact tolerances. The Directors also received updates on new and prospective vendor relationships with a view to enhancing controls and delivering efficiencies.

### **Community and Environment**

#### **Community**

The Company is committed to giving back to the communities in which it operates. The Chief Executive provides regular updates to the Board on the Company's community and charitable giving initiatives. Many of the Directors are also actively involved in fundraising and volunteering activities.

This year, the Company supported volunteering opportunities and helped raise funds for Ronald McDonald House Charities, the British Red Cross and Unicef Syria and Tukey Earthquake Appeals, Barts Charity, the Lord Mayor's Appeal, Movember and Farms for City Children.

BMO also entered into a second corporate partnership agreement with the Brokerage, a social mobility charity working with young people and employers to drive positive change in the workplace and remove barriers to inclusion. Funded partly by the Company, the partnership provides support for two new BMO scholarships, a summer internship programme and employee led masterclasses for students.



## **BMO CAPITAL MARKETS LIMITED**

### **STRATEGIC REPORT (continued)**

The BMO Engage Corporate Social Responsibility Group also donated laptops and iphones to schools and orphanages in Ukraine.

#### **Environment**

In addition to supporting clients with their energy transition goals, the Company is also committed to improving sustainability in its own business operations. This year, through its membership of the Sustainability Trading Group several employees participated in working groups to develop a new set of Environment, Social and Governance ("ESG") best practices and accompanying measurement framework for financial markets trading.

Staff also participated in sustainability forums and in a 'Cycling for Sustainability Challenge' where they pedalled over 3.9 thousand km to plant 8,000 trees for the charity One Tree Planted.

#### **Regulators**

The impact of regulatory developments and compliance with regulatory requirements are key areas of focus and attention for the Board. During the year, the Board received regular updates on areas of regulatory interest. This included updates on Trade and Transaction Reporting, Financial and Operational Resilience, Conduct Risk, Market Abuse and Climate Risk. The Board also received updates on regulatory engagement including responses to Financial Conduct Authority ("FCA") surveys and Dear CEO letters.

With the introduction of the Investment Firm Prudential Regime ("IFPR") on 1 January 2022, the requirement for the Directors to review and approve the Internal Capital Adequacy Assessment Process was replaced with the requirement to implement, review and approve an Individual Capital and Risk Assessment (the "ICARA"). When taking these decisions, the Directors considered the long-term consequences and the impact on relevant stakeholder interests. This includes a review of governance process and procedure to ensure the Company has in place adequate own funds and liquid assets throughout the economic cycle and during an orderly wind down. To ensure appropriate time and attention was given to these decisions, the Directors held a separate ICARA specific Board meeting. They also received additional training on the evolution of the ICARA Framework.

#### **General**

The Company is authorised by the FCA to conduct investment banking business. The immediate and ultimate parent company of BMO Capital Markets Limited is Bank of Montreal, a company incorporated in Canada. The Company is currently subject to capital requirements under IFPR.

By order of the Board



**William Smith**  
Chief Executive Officer and Director

## BMO CAPITAL MARKETS LIMITED

### Streamlined Energy and Carbon Reporting ("SECR")

#### Financial Year 2023 Greenhouse Gas Emissions and Energy Use

BMO Capital Markets Limited greenhouse gas emissions are reported as 66.43 tCO<sub>2</sub>e, with the breakdown by the Greenhouse Gas Protocol scope given in the table below.

	2023	2022 (estimate)
<b>UK Greenhouse Gas Emissions</b>		
Scope 1 GHG Emissions / tCO <sub>2</sub> e	-	-
Scope 2 GHG Emissions / tCO <sub>2</sub> e	66.06	49.64
Scope 3 GHG Emissions / tCO <sub>2</sub> e	0.37	0.74
<b>TOTAL / tCO<sub>2</sub>e</b>	<b>66.43</b>	<b>50.38</b>

The 2022 amounts have been restated from the following as the basis of allocation has been changed from floor space to headcount to better reflect the portion attributable to BMOCL: Scope 2: 127.97; Scope 3: 0.74

The 2023 and 2022 UK energy consumption and associated greenhouse gas emissions aligned with the SECR reporting requirements are summarised in the table below.

	2023	2022 (estimate)
<b>UK Energy Use (Aligned with SECR scope of reporting)</b>		
UK Energy Use / kWh	321,681	257,309
UK Energy Intensity / kWh / employee / year	2,898	2,237
GHG emissions associated with UK Energy Use / tCO <sub>2</sub> e	66.44	49.64
UK GHG Emission Intensity, Emissions associated with UK Energy Use / tCO <sub>2</sub> e / employee / year	0.60	0.44

The 2022 amounts have been restated from the following as the basis of allocation has been changed from floor space to headcount to better reflect the portion attributable to BMOCL: UK Energy Use: 658,780; UK Energy Intensity: 5,729; GHG emissions associated with UK Energy Use: 128.71; UK GHG Emission Intensity: 1.12

Reported energy consumption is the sum of energy use associated with electricity, imported heat for offices, company cars, hire cars and employee's personal car use for business travel. Reporting of voluntary Scope 3 emissions, such as indirect emissions associated with rail or air travel, has been excluded as activity data is not currently available in a suitable format for conversions to GHG emissions.

## BMO CAPITAL MARKETS LIMITED

### Streamlined Energy and Carbon Reporting ("SECR")

#### Financial Year 2023 Greenhouse Gas Emissions and Energy Use

Reported energy consumption is the sum of energy use associated with electricity use, imported heat for offices, company cars, hire cars and employee's personal car use for business travel.

	GHG Protocol Scope	2023 GHG Emissions/ tCO <sub>2</sub> e	2022 (estimate) GHG Emissions/ tCO <sub>2</sub> e
<b>UK GHG Emissions</b>			
Emissions from fuel for company cars	1	-	-
Emissions from business travel in hire cars	1	-	-
Emissions from combustion of gas	1	-	-
Emissions from purchased electricity	2	54.80	39.62
Emissions from imported heat (combustion of gas for office boilers)	2	11.26	10.02
Emissions from employee-owned vehicles	3	0.37	0.74

The 2022 amounts have been restated from the following as the basis of allocation has been changed from floor space to headcount to better reflect the portion attributable to BMOCL: Emissions from purchased electricity 102.14; Emissions from imported heat 25.83; Emissions from employee-owned vehicles 0.74.

#### Methodology

- i) The scope of reporting reflects the Company's UK operational footprint for the 2023 financial year with comparative amounts presented for 2022. The 2022 amounts have been restated as the basis of allocation has been changed from floor space to headcount to better reflect the portion attributable to BMOCL.
- ii) Greenhouse gas emissions ("GHG") are calculated and presented in accordance with the GHG Protocol – Corporate Accounting and Reporting Standard and the UK Government's Environmental Reporting Guidelines, including streamlined energy and carbon reporting guidance, March 2019.
  - Greenhouse gas emissions are calculated using the UK Government's 2023 conversion factors for carbon dioxide, methane and nitrous oxide and reported as tonnes carbon dioxide equivalent (tCO<sub>2</sub>e).
- iii) The 2023 and 2022 scope of GHG emissions reporting encompasses energy use and GHG emissions associated with the Company's UK offices and transport.

## BMO CAPITAL MARKETS LIMITED

### Streamlined Energy and Carbon Reporting ("SECR")

#### Methodology

- iv) Reporting of energy use and greenhouse gas emissions is based on operational control. The Company does not have operational control over the building infrastructure and plant at its UK offices due to shared tenancy and the presence of a facilities management company, consequently reported emissions primarily fall within Scope 2 and 3 of the Greenhouse Protocol.
- Reported Scope 1 emission sources are based on fuel use for company and hire cars.
  - Scope 2 emissions are emissions associated with electricity and 'imported heat' used in the Company's UK office.
  - Reported electricity consumption is the sum of sub-metered direct consumption and the Company's allocation of electricity used for shared areas of the building over which BMO does not have management control.
  - Reported Scope 3 sources are emissions from business travel by hire cars and employee's cars.
- v) The Company's environmental activity data and GHG emissions calculation, has not been independently verified, but was prepared with the support of an independent consultant.

#### Energy Efficiency Actions Undertaken by BMO Capital Markets Limited During 2023

During FY2023, BMO CML UK continued to occupy 100LPS. As noted in the 2022 SECR report 100LPS was selected for its energy efficiency and BREEAM 'Outstanding', WELL 'Gold', and WIREX 'Platinum' ratings. Initiatives within the building regarding energy efficiency include:

- Building insulation;
- Full maintenance programme;
- Draught proofing on exterior doors;
- Landlord and occupier Building Energy Management Systems in place;
- Fully maintained Heating, Ventilation, and Air Conditioning (HVAC) system;
- Fully automatic landlords lighting system; and
- High efficiency motors and drives.

The building is also centred near public transport, cycling, or walking options, with cycle schemes available to all employees.

- Over 2023 BMO facilities management continue to work with the landlord, British Land, on building plant optimization to coincide with business operations.
- BMO has matched 100 per cent of their electricity usage with electricity produced from renewable sources across global operations. This achievement includes investment in Renewal Energy Certificates from wind, solar and hydro projects in the regions where BMO operates, in quantities that match their annual global electricity consumption.

## **BMO CAPITAL MARKETS LIMITED**

### **DIRECTORS' REPORT**

The Directors of the Company present their annual report and the audited financial statements of the Company for the year ended 31 October 2023, which are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

#### **Results and Dividends**

The profit for the year after taxation amounted to £5,281,000 (2022: £2,758,000). The Directors did not approve a dividend during the current financial year (2022: £0).

#### **Directors**

The Directors of the Company who held office during the year and subsequent to the year ended 31 October 2023 were as follows:

Child-Villiers K C (Independent Non-Executive)  
Couzens R (Executive)  
Fuller R S (Independent Non-Executive) (Chair)  
Henderson I R (Independent Non-Executive)  
Matthews S J (Chief Financial Officer)  
Smith W K S (Chief Executive Officer)  
Vassak J J (Non-Executive) (appointed 10 August 2023)  
Yeung R A (Non-Executive) (resigned 10 January 2023)

#### **Employees**

The average numbers of persons employed during the period were 111 (2022: 97)

#### **Political Contributions**

The Company made no political contributions during the period (2022: £nil).

#### **Third Party Indemnities**

During the financial year, the Company's Directors benefited from qualifying third-party indemnity provision (as defined by section 234 of the Companies Act 2006) granted by the Company's ultimate parent company Bank of Montreal indemnifying the Directors against liabilities and associated costs which they could incur in the course of their duties. The indemnities remain in force as at the date of the Directors' Report. The Company also maintains Directors' and officers' liability insurance.

#### **Location of Regulatory Disclosures**

The regulatory disclosures for the Company required by the Markets in Financial Instruments Directive Prudential Handbook "MIFIDPRU" are available on the BMO Capital Markets website <https://capitalmarkets.bmo.com/en/about-us/regulatory/>.

## **BMO CAPITAL MARKETS LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **Registered Company Address**

Sixth Floor, 100 Liverpool Street, London, EC2M 2AT

#### **Branch Locations**

The Company also runs a representative office in Melbourne, Australia: BMO Capital Markets Ltd: Australia Representative office.

#### **Liability Insurance**

During the period, Bank of Montreal maintained liability insurance for the Directors and officers of the Company.

### **Statement of Directors' Responsibilities in Respect of the Strategic Report, the Directors' Report and the Financial Statements**

The Directors are responsible for preparing the Strategic Report, the Streamlined Energy and Carbon Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK-adopted international accounting standards and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable, relevant and reliable;
- State whether they have been prepared in accordance with UK-adopted international accounting standards;
- Assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

#### **Going Concern**

The going concern basis is dependent on maintaining sufficient regulatory capital and liquidity. The Directors considered a number of factors including forecasts for the company and its capital and liquidity position. The company's business activities and objectives, together with the factors likely to affect its future development, performance and position, are set out in the strategic report. In 2023, the Company reported a profit before tax of £7,100,000 (2022: £3,885,000) and continues to be in compliance with, and exceeds, its regulatory capital and liquidity requirements.

As part of those forecasts, the Directors have modelled the impact of a severe but plausible downside stress (Current geopolitical uncertainty owing to the wars in Ukraine and Gaza and their effect on global markets, a firm specific stress event such as a cyber risk event and counterparty default). Based on the forecasts and the stress performed, the Directors are satisfied that the company will have sufficient regulatory capital and liquidity for a period of at least 12 months from the date of the approval of these financial statements.

Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

### **Subsequent Events**

As disclosed in note 18, the company has recorded an impairment charge for an outstanding I&CB receivable. Subsequent to the year end date, an affiliated entity of the associated contracted I&CB counterparty has agreed to indemnify the contracted counterparty.

### **Disclosure of Information to Auditor**

Each of the Directors at the date of approval of this report reconfirms that:

1. There is no relevant audit information of which the Company's auditor is unaware; and
2. Each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the Board



**Director**  
**Scott Matthews**



**Director**  
**William Smith**

Sixth Floor, 100 Liverpool Street  
London EC2M 2AT  
23 January 2024

Registered Company Number: 2928224

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BMO CAPITAL MARKETS LIMITED**

### **Opinion**

We have audited the financial statements of BMO Capital Markets Limited ("the Company") for the year ended 31 October 2023 which comprise the Statement of Income, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and related notes, including the accounting policies in notes 1 and 2.

In our opinion the financial statements:

- Give a true and fair view of the state of the Company's affairs as at 31 October and of its profit for the year then ended;
- Have been properly prepared in accordance with UK-adopted international accounting standards; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going Concern**

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- We consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

### **Fraud and Breaches of Laws and Regulations – Ability to Detect**

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:



- Enquiring of Directors, internal audit and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Considering remuneration incentive schemes and performance targets for management and staff.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets along with our overall knowledge of the control environment we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates. On this audit we do not believe there is a fraud risk related to revenue recognition because there is limited complexity in the recognition of revenue.

We did not identify any additional fraud risks.

We performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included backdated journal entries.

#### *Identifying and responding to risks of material misstatement related to compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and discussed with the Directors the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of license to operate. We identified the following areas as those most likely to have such an effect: regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

**Strategic Report and Directors' Report**

The Directors are responsible for the strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- We have not identified material misstatements in the strategic report and the Directors' report;
- In our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- In our opinion those reports have been prepared in accordance with the Companies Act 2006.

**Matters on Which We are Required to Report by Exception**

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

**Directors' Responsibilities**

As explained more fully in their statement set out on page 13, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The Purpose of Our Audit Work and to Whom We Owe Our Responsibilities**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**THOMAS STEVENS**

**Thomas Stevens (Senior Statutory Auditor)**  
**For and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
15 Canada Square  
London E14 5GL

23 January 2024

**BMO CAPITAL MARKETS LIMITED**  
**Statement of Income**  
**For the Year Ended 31 October 2023**

		<b>2023</b>	<b>2022</b>
		<b>£'000</b>	<b>£'000</b>
	<b>Note</b>		
Interest and dividend income	5	<b>159,768</b>	47,316
Interest and dividend expense	5	<b>(27,940)</b>	(49,697)
<b>Net interest and dividend income/(expense)</b>		<b>131,828</b>	(2,381)
Fees and Commission income	6	<b>43,316</b>	39,574
Fees and commission expense	6	<b>(3,669)</b>	(3,270)
<b>Net fees and commission income</b>		<b>39,647</b>	36,304
<b>Net trading (expense)/income</b>	7	<b>(123,235)</b>	8,602
Provision for credit losses		<b>(2,472)</b>	-
<b>Total operating income</b>		<b>45,768</b>	42,525
Employee compensation and benefits	8	<b>(24,910)</b>	(24,903)
Other operating expenses	9	<b>(13,758)</b>	(13,737)
<b>Total operating expenses</b>		<b>(38,668)</b>	(38,640)
<b>Profit before tax</b>		<b>7,100</b>	3,885
<b>Income tax expense</b>	10	<b>(1,819)</b>	(1,127)
<b>Profit after tax</b>		<b>5,281</b>	2,758

*The accompanying notes for an integral part of these financial statements.*

**BMO CAPITAL MARKETS LIMITED**  
**Statement of Other Comprehensive Income**  
**For the Year Ended 31 October 2023**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Other comprehensive income</b>		
<b>Items that may be subsequently reclassified to net income</b>		
Unrealised gains on fair value through other comprehensive income securities net of deferred tax	<b>359</b>	(28)
Gains realised and reclassified to profit and loss	<b>7</b>	51
<b>Total comprehensive income wholly attributable to the parent company</b>	<b>5,647</b>	<b>2,781</b>

*The accompanying notes form an integral part of these financial statements.*

# **BMO CAPITAL MARKETS LIMITED**

## **Statement of Financial Position**

### **For the Year Ended 31 October 2023**

	Note	2023 £'000	2022 £'000
<b>Assets</b>			
Cash and cash equivalents		91,392	111,108
Securities	12		
Trading		145,573	318,818
Fair value through other comprehensive income		96,887	77,010
		<u>333,852</u>	<u>506,936</u>
Securities borrowed or purchased under resale agreements	13	91,040	466,691
Due from banks and similar financial institutions	14	1,700	2,394
Derivative assets	15	13	170
Premises and equipment	16	744	1,141
Goodwill and other intangibles	17	864	864
Current tax assets	10	145	251
Deferred tax assets	11	550	769
Other assets	18	354,291	221,323
<b>Total Assets</b>		<u>783,199</u>	<u>1,200,539</u>
<b>Liabilities and Shareholders' Equity</b>			
<b>Liabilities</b>			
Bank overdrafts		42	31,355
Securities sold but not yet purchased	19	145,874	308,035
Securities lent or sold under repurchase agreements	20	1,685	88,035
Derivative liabilities	15	1	52
Current tax liability	10	231	182
Due to banks and similar financial institutions	21	89,789	391,154
Other liabilities	22	353,581	195,377
<b>Total Liabilities</b>		<u>591,203</u>	<u>1,014,190</u>
<b>Shareholders' Equity</b>			
Share capital	23	123,670	123,670
Retained earnings		67,941	62,660
Accumulated other comprehensive income		385	19
<b>Total Shareholders' Equity</b>		<u>191,996</u>	<u>186,349</u>
<b>Total Liabilities and Shareholder's Equity</b>		<u>783,199</u>	<u>1,200,539</u>

*The accompanying notes form an integral part of these financial statements*

The financial statements were approved by the Board of Directors on 23rd January 2024 and were signed on its behalf by



**Director**  
**Scott Matthews**  
Registered Company Number: 2928224



**Director**  
**William Smith**

**BMO CAPITAL MARKETS LIMITED**  
**Statement of Changes in Equity**  
**For the Year Ended 31 October 2023**

	Share Capital	Accumulated other comprehensive income	Retained Earnings	Total Equity
	£'000	£'000	£'000	£'000
Balance at 1 November 2021	123,670	(4)	59,902	183,568
Net profit attributable to the owners of the parent company	-	-	2,758	2,758
Net change in unrealised gains on fair value through other comprehensive income securities	-	(28)	-	(28)
Realised gains reclassified to profit and loss	-	51	-	51
<b>Balance at 31 October 2022</b>	<b>123,670</b>	<b>19</b>	<b>62,660</b>	<b>186,349</b>
Net profit attributable to the owners of the parent company	-	-	5,281	5,281
Net change in unrealised gains on fair value through other comprehensive income securities	-	359	-	359
Realised gains reclassified to profit and loss	-	7	-	7
<b>Balance at 31 October 2023</b>	<b>123,670</b>	<b>385</b>	<b>67,941</b>	<b>191,996</b>

*The accompanying notes are integral to these financial statements.*

# **BMO CAPITAL MARKETS LIMITED**

## **Cash Flow Statement**

### **For the Year Ended 31 October 2023**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Profit for the year</b>	<b>5,281</b>	<b>2,758</b>
Adjustments for		
Amortisation and depreciation	340	387
Foreign exchange losses/(gains)	15,647	(26)
Gain on disposal of fixed assets	(79)	-
Interest expense	13,634	43,450
Provision for credit losses	2,472	-
Tax expense/(income)	1,819	1,127
<b>Changes in</b>		
Trading securities	173,245	349,434
Assets purchased under reverse repurchase agreements and securities borrowed.	375,651	(217,287)
Due from banks and similar financial institutions	694	(1,899)
Other assets	(151,564)	(33,830)
Obligations related to securities sold short	(162,161)	(357,289)
Obligations related to assets sold under repurchase agreements and securities loaned	(86,350)	(39,767)
Derivative instruments	106	(456)
Due to banks and similar financial institutions	(301,365)	314,438
Other liabilities	158,526	23,836
<b>Interest paid</b>	<b>(13,634)</b>	<b>(43,450)</b>
<b>Tax refunds received</b>	<b>697</b>	<b>4</b>
<b>Tax paid in the year</b>	<b>(1,460)</b>	<b>(695)</b>
Net cash provided by operating activities	<b>31,499</b>	<b>40,735</b>
<b>Cash flows from financing activities</b>		
Payments on lease liabilities principal balances	(68)	(79)
Payments on lease liabilities interest balances	(20)	(21)
Net cash used in financing activities	<b>(88)</b>	<b>(100)</b>
<b>Cash flows from investing activities</b>		
Net acquisition of fair value through other comprehensive income securities	(19,511)	(14,370)
Net disposal of tangible fixed assets	136	(101)
Net cash used in investing activities	<b>(19,375)</b>	<b>(14,471)</b>
Net increase in cash and cash equivalents	<b>12,036</b>	<b>26,164</b>
Cash and cash equivalents net of overdraft balances as at 1 November	<b>79,753</b>	<b>53,568</b>
Effect of exchange rate changes on cash and cash equivalents	(439)	21
Cash and cash equivalents net of overdraft balances as at 31 October	<b>91,350</b>	<b>79,753</b>

*The accompanying notes are integral to these financial statements*



## 1 Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

### Basis of Preparation

- a) The financial statements comprise the financial results of BMO Capital Markets Limited ("the Company"), a non-public company incorporated in the United Kingdom. The Company's registered address is Sixth Floor, 100 Liverpool Street, London, EC2M 2AT.
- b) The financial statements have been prepared in accordance with UK adopted international accounting standards.
- c) The Company's financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:
  - Derivative financial instruments are measured at fair value;
  - Financial instruments at fair value through profit and loss are measured at fair value; and
  - Financial instruments at fair value through other comprehensive income are measured at fair value.
- d) These financial statements are presented in Sterling ("GBP"), the Company's functional currency, and all values are rounded to the nearest thousand except where otherwise indicated.
- e) Financial assets and financial liabilities are offset, and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts in all circumstances and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.
- f) Management conduct business in a variety of foreign currencies and report the Company financial statements in Sterling. Monetary assets and liabilities as well as non-monetary assets and liabilities measured at fair value that are denominated in foreign currencies are translated into Sterling at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities not measured at fair value are translated into sterling at historical rates. Revenues and expenses denominated in foreign currencies are translated using the average exchange rate for the year.
- g) Pursuant to section 401 of the Companies Act 2006, the Company is exempt from preparing and delivering group financial statements as the Company is a wholly owned direct subsidiary of Bank of Montreal, incorporated in Canada, which prepares consolidated financial statements.
- h) The going concern basis is dependent on maintaining sufficient regulatory capital and liquidity. The Directors considered a number of factors including forecasts for the company and its capital and liquidity position. The company's business activities and objectives, together with the factors likely to affect its future development, performance and position, are set out in the strategic report. In 2023, the Company reported a profit before tax of £7,100,000 (2022: £3,885,000) and continues to be in compliance with, and exceeds, its regulatory capital and liquidity requirements.

As part of those forecasts, the Directors have modelled the impact of a severe but plausible downside stress (Current geopolitical uncertainty owing to the wars in Ukraine and Gaza and their effect on global markets, a firm specific stress event such as a cyber risk event and counterparty default). Based on the forecasts and the stress performed, the Directors are satisfied that the company will have sufficient regulatory capital and liquidity for a period of at least 12 months from the date of the approval of these financial statements.

Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

## 2 Significant Accounting Policies and Use of Judgements and Estimates

### 2.1 Use of Judgements and Estimates

The preparation of the Company's financial statements requires management to use estimates and assumptions that affect the carrying amounts of certain assets and liabilities, certain amounts reported in net income and other related disclosures. The most significant instances for which judgements and estimates must be made include measurement of financial instruments measured at fair value. Fair value measurement techniques are used to value various financial assets and financial liabilities. Additional information regarding our fair value measurement techniques is included in Note 27.

By their very nature, the judgments and estimates we make for the purposes of preparing our financial statements relate to matters that are inherently uncertain. However, we have established detailed policies and internal controls that are intended to ensure these judgments and estimates are well controlled, independently reviewed, and our policies are consistently applied from period to period. We believe that our estimates of the value of our assets and liabilities are appropriate as at 31 October 2023.

### 2.2 Changes in Accounting Policies

There were no new accounting policies in the period that had a material effect on these financial statements.

### 2.3 Significant Accounting Policies

#### a) *Interest*

Interest income and interest expense are recorded using the effective interest rate method. The effective interest rate method allocates interest income and expense over the expected term by applying the effective interest rate to the carrying amount of the financial asset or liability. The effective interest rate is defined as the rate that exactly discounts estimated future cash receipts through the expected term of the financial asset or liability to the net carrying amount of the financial asset or liability.

#### b) *Fees Income*

Securities commissions and fees are earned on brokerage transactions executed for customers, generally as a fixed fee per share traded, where the commissions and related clearing expense are recognized on trade date. Underwriting and advisory fees arise from securities offerings in which we act as an underwriter or agent, structuring and administering loan syndications and fees earned from providing merger-and-acquisition services and structuring advice. Underwriting and advisory fees are generally recognized when the services or milestones are completed.

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income are recognised as the related services are performed.

#### c) *Net Trading Income*

Net trading income comprises gains and losses related to trading assets and liabilities and includes realised and unrealised fair value changes recognised through P&L and foreign exchange differences.

#### d) *Dividends*

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for listed equity securities.

**e) Tax**

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

**i. Current Tax**

Current tax is the expected tax payable or receivable on the taxable income or loss in the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from declaration of dividends.

**ii. Deferred Tax**

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

**f) Financial Instruments – Recognition and Measurement Securities**

Securities are divided into two types, each with a different business model and accounting treatment. The two types of securities held are as follows:

**i. Trading Securities**

Trading securities are securities that we purchase for resale over a short period of time. Trading securities are measured at fair value through profit and loss. We report these securities at their fair value and record the mark-to-market adjustments, transaction costs and any gains or losses on the sale of these in the Statement of Income in net trading income.

**ii. Fair Value Through Other Comprehensive Income ("FVOCI") Securities**

FVOCI securities are debt securities purchased with the objective of both collecting contractual cash flows and possible sale of the securities. The securities' cash flows represent solely payments of principal and interest. These securities may be sold in response to or in anticipation of changes in interest rates and resulting prepayment risk, changes in credit risk, changes in foreign currency risk, changes in funding sources or terms, or to meet liquidity needs.

Debt securities measured at FVOCI are initially recorded at fair value plus transaction costs. They are subsequently measured at fair value, with unrealized gains and losses recorded in our Statement of Comprehensive Income until the security is sold or impaired. Gains and losses on disposal are recorded in our Statement of Income with accumulated gains/losses arising in the prior period being recycled from accumulated OCI. Interest income earned is recorded in our Statement of Income using the effective interest method. Debt securities classified as FVOCI are assessed for impairment using the expected credit losses ("ECL") model with gains and recoveries on impairment recorded in in our Statement of Income.

**iii. Securities Borrowed or Purchased Under Resale Agreements and Securities Lent or Sold Under Repurchase Agreements**

The Company purchases securities under agreements to resell (reverse repurchase agreements) and takes possession of these securities. Reverse repurchase agreements are treated as collateralised lending transactions whereby the market value of the securities purchased is monitored and additional collateral is obtained when appropriate. In the context of collateralised lending transactions, the cash flows represent solely payments of principal and interest. The Company has the right to liquidate the collateral in the event of a counterparty default. These assets are realised through repayment of the principal balance and not through sale. The Company also sells securities under agreements to repurchase (repurchase agreements), which are treated as collateralised borrowing transactions. The securities received under reverse repurchase agreements and securities delivered under repurchase agreements are not recognised on, or derecognised from, the Balance Sheet, unless the risks and rewards of ownership are transferred.

Reverse repurchase agreements and repurchase agreements are initially recognised at fair value. Fair value is represented by the cash received or borrowed. Reverse repurchase agreements and repurchase agreements are subsequently recorded at amortised cost using the effective interest method. Reverse repurchase agreements are recorded net of any impairment losses.

**iv. Securities Sold but Not Yet Purchased**

Securities sold but not yet purchased represent our obligations to deliver securities that we did not own at the time of sale. These obligations are recorded at their fair value. Adjustments to the fair value as at the balance sheet date and gains and losses on the settlement of these obligations are recorded in net trading income in our Statement of Income.

**v. Other Assets**

Other assets relate primarily to unsettled trades arising from the equities desk, securities lending and ADR/Ord business lines. Other assets also include related party receivable balances. The cash flows arising from these assets represent the principal balance. They are held within a business model to collect the contractual cash flows and are accordingly measured at amortised cost.

**vi. Other Liabilities**

Other liabilities relate primarily to unsettled trades arising from the equities desk, securities lending and ADR/Ord business lines. Other liabilities also include related party payable balances. Other liabilities are measured at amortised cost.

**vii. Impairment of Financial Assets**

The Company recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

**Measurement of ECLs**

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

**Credit-impaired financial assets**

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

**Write-offs**

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

**viii. Fair Value Measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. In addition, in determining whether a market is active the Company takes into consideration transaction volumes for the instrument in the given market and whether transaction frequency and volumes drive the provision of pricing information on an ongoing basis. If a market for a financial instrument is not active, the Company establishes fair value using a valuation technique. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same for which market observable prices exist, net present value and discounted cash flow analysis.

In the instance that fair values of assets and liabilities cannot be reliably measured, they are carried at cost.

**ix. Derecognition**

Financial instruments are derecognised when the rights to receive or deliver cash flows from the financial assets or liabilities have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

**x. Trade Date Accounting**

All financial assets and liabilities are recognised on the trade date which is the date when the Company enters into contractual arrangements with counterparties to purchase or sell the financial assets.

**g) Premises and Equipment****i. Owned Premises and Equipment**

We record all owned premises and equipment at cost less accumulated depreciation, and less any accumulated impairment. Premises and equipment are amortised on a straight-line basis over their estimated useful lives.

The estimated useful lives are as follows:

- Leasehold improvements: Lease term to a maximum of 10 years
- Fixtures and fittings: Lease term to a maximum of 10 years; and
- Computers and software: 2-5 years.

Depreciation methods, useful lives and the residual values of premises and equipment are reviewed annually for any change in circumstances and are adjusted if appropriate. At each reporting period, we review whether there are any indications that premises and equipment need to be tested for impairment. There were no significant write-downs of owned premises and equipment due to impairment during the years ended 31 October 2023 and 2022. Gains and losses on disposal are included in other operating expenses in our Statement of Income.

**ii. Leases**

When we enter into new arrangements as a lessee, a right-of-use asset is recognized equal to the lease liability, which is calculated based on the future lease payments discounted at our incremental borrowing rate over the lease term. The lease term is based on the non-cancellable period and includes any options to extend or terminate which we are reasonably certain to exercise.

The right-of-use asset is depreciated on a straight-line basis, based on the shorter of useful life of the underlying asset or the lease term, and is adjusted for impairment losses, if any.

The lease liability accretes interest over the lease term, using the effective interest method, with the associated interest expense recognized in interest expense – other. The lease liability is remeasured when decisions are made

to exercise options under the lease arrangement or when the likelihood of exercising an option within the lease changes.

In terms of IFRS 16, the Company has chosen not to capitalise its short-term leases and these amounts are expensed when incurred in other operating expenses.

**h) Impairment of non-Financial Assets**

If there is an indication that an asset may be impaired, we test for impairment by comparing the asset's carrying value to its recoverable amount. The recoverable amount is calculated as the higher of the value in use and the fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from the asset. An impairment charge is recorded when the recoverable amount is less than the carrying value.

An impairment loss on intangible assets is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed.

**i) Goodwill**

Goodwill is stated at cost less any accumulated impairment losses. It represents the excess of the price paid for a business combination over the fair value of the net identifiable assets acquired on the date of acquisition. Goodwill is allocated to a CGU or a group of CGUs and is not amortised but is tested annually for impairment as at 31 October or more frequently if there are indications of impairment.

The recoverable amount of a CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**j) Cash and Cash Equivalents and Overdrafts**

Cash includes cash and non-interest-bearing deposits with banks, cheques and other items in transit. Cash comprises amounts deposited in the Company's principal nostro. Overdrafts includes overdrawn balances with banks.

**k) Provisions**

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

**l) Employee Benefits**

The Company offers a number of benefit plans which provide pension and other benefits to eligible employees. These plans include a registered defined benefit plan, defined contribution plans and health, dental, disability and life insurance plans.

The Company participates in the defined benefit plan for which the net benefit cost is recognised in the group financial statements of the Bank of Montreal who are legally the sponsoring employer in the plan. The Company recognises a cost equal to its contribution payable for the period. The Company's contribution to the defined benefit plan is expensed when employees have rendered services in exchange for such contributions, generally in the year of contribution. Defined contribution plan expense is included within employee compensation and benefits.

### **3 Future Changes in Accounting Policies**

Our assessment of the impact of IFRS17 is ongoing and there are no other new accounting policies that are expected to have a material effect on these financial statements.

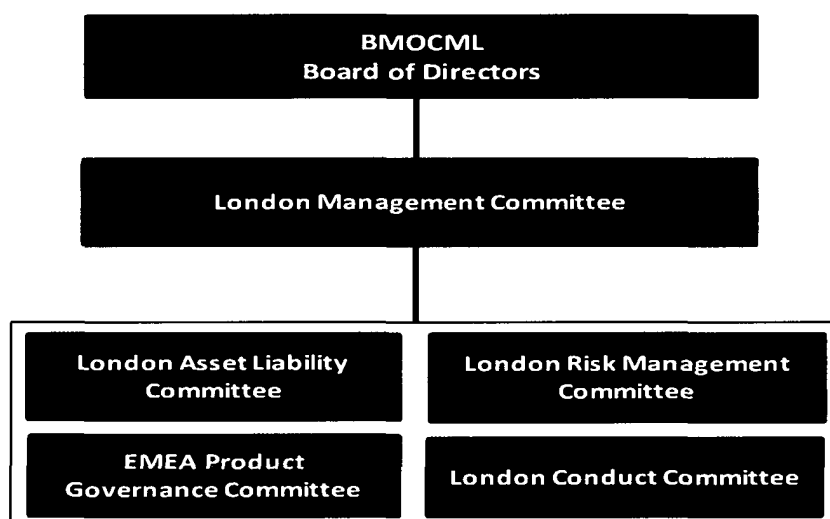
In May 2021, the IASB issued an amendment to IAS 12 Income Taxes (IAS 12) which will be effective for our fiscal year beginning November 1, 2023. The amendment narrows the IAS 12 exemption to exclude transactions that give rise to equal and offsetting temporary differences (e.g. leases and asset retirement obligations). Upon adoption of the amendment, we will record separate deferred tax assets and liabilities related to the assets and liabilities that give rise to these temporary differences. This change will impact note disclosure only. There will be no impact to the Consolidated Balance Sheet as the balances are eligible for offset when levied by the same tax authority.

In May 2023, the IASB issued an additional amendment to IAS 12 which will be effective for BMOCML once the Canadian Federal Government passes into law the global minimum tax, as outlined by the Organisation for Economic Co-operation and Development / Group of 20 (G20) Inclusive Framework on Base Erosion and Profit Shifting's two-pillar plan for international tax reform. The amendment exempts us from recognizing and disclosing information on deferred tax assets and liabilities as a result of this tax rate change.

#### 4 Financial and Other Risk Management

BMOCML is a wholly owned subsidiary of BMO. The risk management framework for BMOCML is governed by and falls within BMO's Enterprise policies and procedures. In addition, local policies driven by local regulatory requirements are approved by the BMOCML Board as necessary.

The Company's risk management and governance structure is composed of several executive committees that have the responsibility for key risk management areas. Each committee has a defined mandate allocating their accountability and responsibility. An illustration of how these committees roll up to the Company Board is provided below:



The BMOCML Board fulfil their responsibilities in relation to the identification and management of risk, establishment of risk appetite, adherence to either internal risk management policies and procedures or those promulgated by BMO. The BMOCML Board is responsible for adhering to local regulatory requirements and compliance with regulatory reporting. The Board meet at least quarterly.

**The London Management Committee ("LMC")** is the senior collective management forum for the activities of Bank of Montreal, London Branch, and BMOCML. The LMC is responsible for overseeing the activities of the businesses and support functions in London and, in particular, the risks attributable to the conduct of business in London in accordance with best principles of corporate governance, risk practice, law, regulation and the established policies, procedures and strategies of BMO.

**The Assets and Liabilities Committee (“ALCO”)** is a sub-committee of the LMC and its mandate covers activities of Bank of Montreal, London Branch and BMOCML across all categories of balance sheet development, liquidity and funding management, treasury, tax review, strategies and efficient capital allocation. Its mandate is to provide appropriate financial oversight, especially for the balance sheet development and liquidity and funding management for BMO London activities, including ensuring that the financial procedures, liquidity management, policies and controls within BMO London are appropriate and effective.

**The London Risk Management Committee (“LRMC”)** is a sub-committee of the LMC and consists of the senior administrative and risk executives of Bank of Montreal, London Branch and BMOCML. The LRMC serves as a forum to review, inform, consult and challenge significant risk issues and action plans addressing current and emerging risks that arise in the course of executing the business plans and day-to-day operations.

**The London Conduct Committee (“LCC”)** is a sub-committee of the LMC and is responsible for providing oversight in relation to conduct issues in BMO London Branch and BMOCML.

**EMEA Product Governance Committee (“EMEA PGC”)** is a Markets in Financial Instruments Directive (“MiFID”) II driven initiative where manufacturers and distributors of financial products must implement a governance framework around the development and placement of products that place the client at the forefront. MiFID II has introduced product intervention powers for national competent authorities, European Securities and Markets Authority and the European Banking Authority (“EBA”).

#### **a) Credit Risk**

The Company takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation. Management therefore carefully manages its exposure to credit risk in the banking and trading book, the management of which can be seen below.

The Company's maximum exposure to credit risk is equivalent to the total balance sheet position of assets exposed to credit risk as it does not include any netting benefit or collateral.

An application of the ECL model produced credit losses amounting to £2.5m (2022: £0) on fee receivables. Due to the short-term profile of the financial assets of the Company, they are considered in stage 1 in the determination of expected credit losses.

#### **Credit Risk Management in the Banking Book**

The credit exposures in the banking book arise principally in the following areas:

- (i) UK Government Gilts (fair value through other comprehensive income securities);
- (ii) Nostros and short-term money market deposits;
- (iii) Intercompany receivable balances; and
- (iv) Fee receivables.

The largest credit exposure is to UK Government Gilts which are currently rated at AA. Other credit exposures relate to Supranational, Sovereigns and Agencies (“SSA”) bonds and short term money market balances which are placed with either a fellow related entity or other banks and these are not collateralised.

The Company manages the risk of non-performance by banks by dealing only with those banks carrying an investment grade rating from Standard and Poor's and Moody's Investors Service.

The expected credit loss relating to fee receivables was determined on the basis that the counterparty had not paid within the expected payment period, the country risk relating to the counterparty is considered high and collectability of the fee looked doubtful. Although the policy is only to write off fees receivable if they have been owing for more than 270 days, it was decided that the credit risk had increased significantly since initial recognition and therefore to provide for the receivable in full.



### Credit Risk Management in the Trading Book

The Company fully complies with BMO credit procedures to control counterparty credit risk by following an established credit approval process, daily monitoring of net exposure to individual counterparties, requiring additional collateral where appropriate. Credit risk undertaken by the Company is also subject to BMO's Corporate Policies and Corporate Standards.

The Company is subject to counterparty risk in relation to the securities lending business. The securities lending business borrows securities from counterparties and is required to collateralize the trade with cash or other securities that are, typically, equivalent to 105% of the value of the stock borrowed. In turn, the securities lending business lends the borrowed security to approved counterparties and receives collateral, again typically at 105% value. The positions are marked to market daily, with collateral topped up where appropriate.

The Company is also subject to minimal counterparty risk in relation to fails from equity trades as the majority of the trades are delivery versus payment. Fails are reported daily and the capital requirements attributable to counterparty risk are monitored daily by management against regulatory limits.

### Maximum Credit Risk Exposure

The following table shows the maximum credit risk exposure:

	2023	2022
	£'000	£'000
Cash and cash equivalents	91,392	111,108
Securities at fair value through other comprehensive income	96,887	77,010
Securities borrowed or purchased under resale agreements	91,040	99,067
Due from banks and similar financial institutions	1,700	2,394
Derivative assets	13	170
Other assets	354,291	221,323

### Offsetting Financial Assets and Financial Liabilities

The following table presents the amounts that are subject to enforceable master netting arrangements or similar agreements but do not qualify for netting on the balance sheet. There are no amounts offset in the balance sheet as they relate to transactions where a master netting arrangement or similar agreement is in place with a right of set off only in the event of default, insolvency or bankruptcy, or where the offset criteria are otherwise not met. As there is no on balance sheet netting, amounts included on the balance sheet are the gross amount. The following table shows the net economic exposure under a master netting agreement for amounts recognised on the balance sheet. The large reduction from last year is the result of closing out of collateral optimisation trades.

**Offsetting Financial Assets and Financial Liabilities (continued)**

	2023	2023	2023
	Amounts included on the balance sheet	Securities received/pledged as collateral	Net amount
	£'000	£'000	£'000
<b>Financial Assets</b>			
Securities borrowed or purchased under resale agreements	91,040	99,067	(8,027)
<b>Financial Liabilities</b>			
Securities lent or sold under repurchase agreement	1,685	1,497	188
	2022	2022	2022
	Amounts included on the balance sheet	Securities received/pledged as collateral	Net amount
	£'000	£'000	£'000
<b>Financial Assets</b>			
Securities borrowed or purchased under resale agreements	466,691	496,179	(29,488)
<b>Financial Liabilities</b>			
Securities lent or sold under repurchase agreement	88,035	82,583	5,452

**b) Market Risk**

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) which will affect the Company's income or the value of its holdings of financial instruments. The objective of the Company's market risk management is to manage and control market risk exposures within acceptable parameters in order to ensure the Company's solvency while optimising the return or risk.

**Management of Market Risk**

Each trading desk is governed by a market risk limit letter which includes primary and secondary limits to ensure the market risk exposures remain within the agreed risk appetite. In addition, there is an overall BMOCML market risk appetite for Value at Risk ("VaR") and Stress.

**Exposure to Market Risks**

The Company measures and controls market risk using VaR metrics, stress testing and a range of other metrics such as sensitivities to market risk factors.

The VaR of the trading portfolio is the estimated maximum loss that will arise on the portfolio over a specified period of time (holding period) within a specified probability (confidence) level. The VaR model used by the Company estimates over a 1-day holding period at a 99 per cent confidence interval. The requisite risk reports are produced and monitored daily in accordance with the Market Risk Corporate Policy.

**Exposure to Market Risks (continued)**

A summary of the Company's total VaR and the 12 month Average VaR (Av VaR) as at 31 October can be seen below:

	2023	2023	2022	2022
	£'000	£'000	£'000	£'000
	VaR	Av VaR	VaR	Av VaR
ADR/Ord	560	1,044	1,523	703
UK Equity	-	-	-	1
Special Solutions	11	243	297	255

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based gives rise to certain limitations including the following:

A 1-day holding period is used as it is consistent with daily profit and loss reporting. A 1-day holding period does not factor into account market liquidity. Some positions could take longer to hedge or close out, especially in times of severe market illiquidity. A 99 per cent confidence level does not reflect losses that may occur beyond this level.

The limitations of VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio. Other metrics that are used to monitor market risk include net delta which is the change in present value of a position with respect to a specified change in the price of the underlying asset and market stress where the limit is based on measurement of the worst-case stress scenario at approximately 99.95 per cent or higher confidence

Traders must obtain pre-approval from the limit delegator and approval from the risk management department for any primary limit extensions.

**c) Foreign Exchange Risk**

The Company is subject to currency risk due to a material portion of the revenue generated in BMOCLM being either in US Dollars ("USD"), Canadian Dollars, or Euros, whereas the balance sheet is denominated in GBP.

**Exposure to Foreign Exchange Risk - Non-Trading Portfolio**

Foreign exchange risk on the non-trading portfolio mainly arises on the following non-trading book transactions:

- Revenues related to commissions that are received in non-GBP reported in fees and commission income;
- Foreign currency payments to and from other BMO entities reported in due to/from banks and other financial institutions, other assets, other liabilities and cash; and
- Foreign currency deposits which are subject to foreign exchange risk reported in due from banks and other financial institutions.

**Exposure to Foreign Exchange Risk - Trading Portfolio**

The securities lending business seeks to have minimal exposure to foreign exchange risk for profit making purposes. Management will ideally seek to match security currency with collateral currency i.e. borrow/lend Euro securities versus Euro cash or Euro denominated non-cash collateral. The main foreign exchange exposure in the ADR/Ord trading portfolio is when the ADR/Ord long/short position is being held over the dividend date, this will result in a cross-currency dividend exposure. There will be a dividend in USD (from the ADR position) and a dividend in the underlying currency of the dividend of the ordinary share. When collateral currency or dividend currency is mismatched, management will enter into a foreign exchange spot trade recorded within net trading income.

**Exposure to Foreign Exchange Risk - Trading Portfolio (continued)**

The carrying amount of the Company's open foreign currency denominated positions can be seen below:

	2023	2022
	£'000	£'000
United States Dollars	(131,823)	(141,592)
Canadian Dollars	935	481
Euro	11,631	2,928
Australian Dollars	104	672
Swedish Krona	(424)	6,691
Swiss Francs	(372)	3,276
Other	(193)	45

The USD exposure is offset by a GBP currency economic hedge included in the mark to market value of the ADR/ORD portfolio.

As at 31 October 2023, had GBP strengthened by 10 per cent in relation to all currencies, with all other variables held constant, the net assets and loss for the period would have decreased and increased respectively by the amounts shown below. The analysis is performed on the same basis for 2022.

	2023	2022
	£'000	£'000
United States Dollars	(13,182)	(14,159)
Canadian Dollars	93	48
Euro	1,163	293
Australian Dollars	10	67
Swedish Krona	(42)	669
Swiss Francs	(37)	328
Other	(19)	4
	<u>(12,014)</u>	<u>(12,750)</u>

A 10 per cent weakening of GBP against the above currencies would have resulted in an equal but opposite effect on the financial statements amounts to the amounts shown above, on the basis that all other variables remain constant. Please note that the above analysis does not take into consideration the use of foreign exchange forwards which are used to hedge foreign exchange positions.

**d) Interest Rate Risk**

It is the Company's intention not to take any direct material interest rate risk. The only balances that are subject to interest rate variability are government securities, ad hoc money market deposits which are deposited on a rolling one month basis. These attract minimal interest rate risk which is considered an acceptable level not to mitigate. The interest rate on equity total return swaps is offset by funding interest and recorded in trading income and generates no interest rate risk.

**e) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The consequence may be the failure to meet the obligations to repay depositors and fulfil commitments to lend. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under normal and stressed conditions, without incurring additional losses or risking damage to the Company's reputation.

**Liquidity Risk Management Process**

The Company is an integrated part of the BMO Group and therefore follows and is obliged to comply with all applicable aspects of BMO Group's policy regarding the Enterprise wide contingency funding plan. The Company's liquidity is managed within a global framework that manages the liquidity position on a consolidated basis and considers legal, regulatory, operational and any other restrictions when analysing the ability to lend or borrow funds between legal entities.

In alignment with the three lines of defence operating model, the lines of business ("LoB") own the operational and liquidity and funding risks in their operations. Corporate Treasury UK, as part of the first line of defence is responsible for Company-level liquidity and funding management and provides direction and monitors LoB activities to ensure BMO's liquidity and funding objectives are achieved and are within net regulatory ratios. Risk management provides independent oversight and effective challenge to liquidity and funding management as the second line of defence. Corporate Audit Division acts as the third line of defence.

Risk management as second line of defence oversee, review and challenge liquidity and funding deliverables for BMO's liquidity and funding management framework, risk appetite and related limits, relevant policies, (including annual ICARA, Contingency Funding Plan ("CFP") and Recovery Plan "RP"), strategic initiatives, stress testing and any liquidity and funding measures.

BMO's liquidity and funding management also manages its liquidity risk by financing its securities lending activities through the use of a USD 950m (2022: USD 950m) uncommitted loan facility as well as a USD 150m committed facility with BMO (2022: USD 150m).

BMO's liquidity and funding management also conducts an annual ICARA process whereby the impact of various stress scenarios are modelled to assess the adequacy of the firm's liquidity resources.

**Liquidity Table**

The table below presents the maturity analysis for financial assets it holds as part of managing liquidity and the undiscounted cash flows payable by the Company by remaining contractual maturities at the balance sheet date, except where management have deemed the expected liquidity profile to be different.

## Liquidity Table (continued)

## Liquidity table as at 31 October 2023

	£'000 Less than 1 month	£'000 1 to 3 months	£'000 3 months to 1 year	£'000 Total
<b>Assets held for liquidity purposes</b>				
Cash and cash equivalents	91,392	-	-	91,392
Trading securities	145,573	-	-	145,573
Fair value through other comprehensive income securities	20,275	34,894	41,718	96,887
Securities borrowed or purchased under resale agreements	8,735	82,305	-	91,040
Due from banks and similar financial institutions	1,700	-	-	1,700
Derivative assets	13	-	-	13
Other assets	349,825	-	-	349,825
	<b>617,513</b>	<b>117,199</b>	<b>41,718</b>	<b>776,430</b>
<b>Liabilities</b>				
Bank overdrafts	42	-	-	42
Securities sold but not yet purchased	145,874	-	-	145,874
Securities lent or sold under repurchase agreements	1,685	-	-	1,685
Derivative liabilities	1	-	-	1
Due to banks and similar financial institutions	7,484	82,305	-	89,789
Other liabilities	343,192	-	-	343,192
<b>Total liabilities</b>	<b>498,278</b>	<b>82,305</b>	<b>-</b>	<b>580,583</b>

**Liquidity Table (continued)****Liquidity table as at 31 October 2022**

	£'000 Less than 1 month	£'000 1 to 3 months	£'000 3 months to 1 year	£'000 Total
<b>Assets held for liquidity purposes</b>				
Cash and cash equivalents	111,108	-	-	111,108
Trading securities	318,818	-	-	318,818
Fair value through other comprehensive income securities	37,945	39,065	-	77,010
Securities borrowed or purchased under resale agreements	117,955	87,184	261,552	466,691
Due from banks and similar financial institutions	2,394	-	-	2,394
Derivative assets	170	-	-	170
Other assets	218,207	-	-	218,207
	806,597	126,249	261,552	1,194,398
<b>Liabilities</b>				
Bank overdrafts	31,355	-	-	31,355
Securities sold but not yet purchased	308,035	-	-	308,035
Securities lent or sold under repurchase agreements	88,035	-	-	88,035
Derivative liabilities	52	-	-	52
Due to banks and similar financial institutions	42,564	174,368	174,222	391,154
Other liabilities	184,001	-	-	184,001
Total liabilities	654,042	174,368	174,222	1,002,632

**f) Regulatory Capital**

The Company is regulated by the FCA as a full scope investment firm. It is in the Company's capital management policy to ensure that it remains adequately capitalised in accordance with its risk appetite. The Company is committed to maintaining sufficient capital to underpin all risks as defined by internal and external regulatory capital requirements.

The Company's regulatory capital consists of tier 1 capital which includes ordinary shares and audited retained earnings. Relevant deductions are made to the capital resources where appropriate, in the Company's case this relates to goodwill and the prudent valuation adjustment.

The FCA requires the Company to submit a series of regulatory returns for capital monitoring and measurement of risk. During 2023, the Company fully complied with its internal and external requirements.

The Company conducts an annual assessment of the adequacy of its capital resource requirements as part of the ICARA review process.

## g) Classification of Financial Assets and Liabilities

The below tables show the carrying amounts of the Company's financial instruments classified in the categories as per the requirements of IFRS 9.

## Assets as at 31 October 2023

	Fair value through P&L £'000	Fair value through OCI £'000	Amortised cost £'000	Total carrying amount £'000
<b>Assets</b>				
Cash and cash equivalents	-	-	91,392	91,392
<b>Securities</b>				
Trading	145,573	-	-	145,573
Fair value through other comprehensive income	-	96,887	-	96,887
Derivative assets	13	-	-	13
Securities borrowed or purchased under resale agreements	-	-	91,040	91,040
Due from banks and similar financial institutions	-	-	1,700	1,700
Other assets	-	-	349,825	349,825
<b>Total Assets</b>	<b>145,586</b>	<b>96,887</b>	<b>533,957</b>	<b>776,430</b>

## Liabilities as at 31 October 2023

	Fair value through P&L £'000	Fair value through OCI £'000	Amortised cost £'000	Total carrying amount £'000
<b>Liabilities and Shareholders' Equity</b>				
<b>Liabilities</b>				
Bank overdrafts	-	-	42	42
Securities sold but not yet purchased	145,874	-	-	145,874
Securities lent or sold under repurchase agreements	-	-	1,685	1,685
Derivative liabilities	1	-	-	1
Due to banks and similar financial institutions	-	-	89,789	89,789
Other liabilities	-	-	343,192	343,192
<b>Total Liabilities</b>	<b>145,875</b>	<b>-</b>	<b>434,708</b>	<b>580,583</b>



**Classification of Financial Assets and Liabilities (continued)****Assets as at 31 October 2022**

	Fair value through P&L £'000	Fair value through OCI £'000	Amortised cost £'000	Total carrying amount £'000
<b>Assets</b>				
Cash and cash equivalents	-	-	111,108	111,108
Securities				
Trading	318,818	-	-	318,818
Fair value through other comprehensive income	-	77,010	-	77,010
Derivative assets	170	-	-	170
Securities borrowed or purchased under resale agreements	-	-	466,691	466,691
Due from banks and similar financial institutions	-	-	2,394	2,394
Other assets	-	-	218,207	218,207
<b>Total Assets</b>	<b>318,988</b>	<b>77,010</b>	<b>798,400</b>	<b>1,194,398</b>

**Liabilities as at 31 October 2022**

	£'000	£'000	£'000	£'000
<b>Liabilities and Shareholder's Equity</b>				
<b>Liabilities</b>				
Bank overdrafts	-	-	31,355	31,355
Securities sold but not yet purchased	308,035	-	-	308,035
Securities lent or sold under repurchase agreements	-	-	88,035	88,035
Derivative liabilities	52	-	-	52
Due to banks and similar financial institutions	-	-	391,154	391,154
Other liabilities	-	-	184,001	184,001
<b>Total Liabilities</b>	<b>308,087</b>	<b>-</b>	<b>694,545</b>	<b>1,002,632</b>

**h) Fair Value of Financial Instruments**

Fair value represents the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. The fair value amounts disclosed represent point-in-time estimates that may change in subsequent reporting periods due to changes in market conditions or other factors. Some financial instruments are not typically exchangeable or exchanged and therefore it is difficult to determine their fair value. Where there is no quoted market price, we determine fair value using management's best estimates based on a range of valuation techniques and assumptions; since these involve uncertainties, the fair values may not be realized in an actual sale or immediate settlement of the asset or liability.

## Governance Over the Determination of Fair Value

Senior executive oversight of our valuation processes is provided through various valuation and risk committees. In order to ensure that all financial instruments carried at fair value are reasonably measured for risk management and financial reporting purposes, we have established governance structures and controls, such as model validation and approval, independent price verification ("IPV") and profit and loss attribution analysis ("PAA"), consistent with industry practice. These controls are applied independently of the relevant operating groups.

We establish valuation methodologies for each financial instrument that is required to be measured at fair value. The application of valuation models for products or portfolios is subject to independent approval to ensure only validated models are used. The impact of known limitations of models and data inputs is also monitored on an ongoing basis. IPV is a process that regularly and independently verifies the accuracy and appropriateness of market prices or model inputs used in the valuation of financial instruments.

This process assesses fair values using a variety of different approaches to verify and validate the valuations. PAA is a daily process used by management to identify and explain changes in fair value positions across all operating lines of business within BMO Capital Markets. This process works in concert with other processes to ensure that the fair values being reported are reasonable and appropriate.

## Securities

For traded securities, quoted market value is considered to be fair value. Quoted market value is based on bid or ask prices, depending on which is the most appropriate to measure fair value. Securities for which no active market exists are valued using all reasonably available market information.

### Securities Sold but Not Yet Purchased

The fair value of these obligations is based on the fair value of the underlying securities, which can include equity or debt securities. As these obligations are fully collateralised, the method used to determine fair value would be the same as that used for the relevant underlying equity or debt securities.

### Government Securities

The fair value of government issued or guaranteed debt securities in active markets is determined by reference to recent transaction prices, broker quotes or third-party vendor prices. The fair value of securities that are not traded in an active market is modelled using implied yields derived from the prices of similar actively traded government securities and observable spreads. Market inputs to the model include coupon, maturity and duration.

## Financial Instruments with a Carrying Value Approximating Fair Value

### Short-term and Other Financial Instruments

Carrying value is considered to be a reasonable estimate of fair value for our cash and cash equivalents. The carrying value of certain financial assets and liabilities, such as interest-bearing deposits with banks, securities borrowed or purchased under resale agreements, other assets, securities lent or sold under repurchase agreements and other liabilities, is a reasonable estimate of fair value due to their short-term nature or because they are frequently repriced to current market rates.

### Fair Value Hierarchy

IFRS 13 uses a fair value hierarchy to categorise financial instruments according to inputs that are used in valuation techniques to measure fair value. The extent of our use of actively quoted market prices (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3) in the valuation of securities, fair value liabilities, derivative assets and derivative liabilities was as follows:

**Fair Value Hierarchy (continued)**

The assets and liabilities per the table in note 4g that are classified as fair value through P&L or Fair value through OCI, are assessed to be level 1.

In the prior year assets and liabilities were presented as level 2 financial instruments, management has performed further analysis and concluded that these instruments are level 1 in both the current and comparative periods.

The assets and liabilities per the table in note 4g that are classified as amortised cost, are assessed to be level 2. For these level 2 financial instruments the carrying amount and the fair value are assessed to be materially the same.

There have been no transfers between levels in the fair value hierarchy for any of the Company's financial instruments.

**5 Net interest income**

	2023	2022
	£'000	£'000
<b>Interest and dividend income includes amounts earned on:</b>		
Cash and cash equivalents	85	5
Securities		
Trading	139,760	38,707
Fair value through other comprehensive income	4,404	532
Securities borrowed or purchased under resale agreements	13,775	7,890
Due from banks and similar financial institutions	1,461	182
Other	283	-
	<b>159,768</b>	<b>47,316</b>
 Including interest and dividend income received from related parties		
BMO London Branch	3,196	10,539
BMO Capital Markets Corp	2,021	3,553
Bank of Montreal Europe plc	1,461	-
	<b>6,678</b>	<b>14,092</b>
 <b>Interest and dividend expense includes amounts incurred on:</b>		
Securities lent or sold under repurchase agreements	(4,281)	(6,247)
Securities sold but not yet purchased	(10,025)	(40,064)
Due to banks and similar financial institutions	(13,613)	(3,365)
Other	(21)	(21)
	<b>(27,940)</b>	<b>(49,697)</b>
 Including interest and dividend expense incurred to related parties		
BMO London Branch	(17,745)	(7,469)
BMO Capital Markets Corp	(855)	(17,922)
BMO Nesbitt Burns Inc	-	(678)
BMO Chicago Branch	(16)	(34)
	<b>(18,616)</b>	<b>(26,103)</b>

Net interest income on trading securities increased year on year as this includes dividend income on securities held as a hedge to the equity total return swap trade. The offset resulting from mark to market and fair valuation of the swap is posted to trading income.

## 6 Net Fees and Commission Income

	2023	2022
	£'000	£'000
<b>Fees and commission income</b>		
Brokerage fees	18,585	14,024
Securities lending fees	1,718	1,634
Advisory fees	20,442	21,975
Fee and commission income	2,571	1,941
<b>Total fees and commission income</b>	<b>43,316</b>	<b>39,574</b>
Including fees and commission income received from related parties		
BMO Nesbitt Burns Inc	13,513	12,917
Bank of Montreal Europe plc	12	17
BMO Capital Markets Corp	2,014	2,043
	<b>15,539</b>	<b>14,977</b>
<b>Fees and commission expense</b>		
Fees and commission expense	(3,033)	(2,612)
Brokerage and other	(636)	(658)
<b>Total fees and commission expense</b>	<b>(3,669)</b>	<b>(3,270)</b>
Including fees and commission expense paid to related parties		
BMO Nesbitt Burns Inc	(622)	(540)
Bank of Montreal	(609)	(607)
BMO Capital Markets Corp	(1,096)	(1,090)
Bank of Montreal Europe plc	(704)	(1,033)
	<b>(3,031)</b>	<b>(3,270)</b>

Fees and commission income consists of revenue from contracts with customers, including revenue earned from related parties. Receivables associated with revenue from contracts with customers are included in other assets. Refer to Note 18. There was a year on year increase in brokerage fees from both new and existing clients.

## 7 Trading Income

	2023	2022
	£'000	£'000
Derivatives	21,285	(13)
Securities	(128,943)	8,873
Foreign exchange	(15,731)	(23)
Other	154	(235)
<b>Total net trading income</b>	<b>(123,235)</b>	<b>8,602</b>

The Other total has been represented from the prior year owing to the splitting out of the Foreign exchange amount. The previous presentation was (258).

Trading income on securities reduced year on year as this includes the mark to market and fair valuation impact of the equity total return swap which is offset by dividend income on securities held as a hedge posted to net interest income

## 8 Employee Compensation and Benefits

The average number of people employed by the Company during the year was 111 (2022: 97). Their aggregate remuneration comprised:

	2023	2022
	£'000	£'000
Wages and salaries	(20,603)	(20,702)
Restructuring costs	(231)	(326)
Social security costs	(2,085)	(2,688)
Defined contribution pension costs	(1,104)	(935)
Defined benefit pension costs	44	208
Other	(931)	(460)
<b>Total employee compensation and benefits</b>	<b>(24,910)</b>	<b>(24,903)</b>
<b>Including related party expenses</b>		
BMO Nesbitt Burns Inc	(2,049)	(1,547)
Bank of Montreal Europe Plc	(243)	(569)
Bank of Montreal	44	208
	<b>(2,248)</b>	<b>(1,908)</b>

Related party expenses relate to employees on secondment from other entities within the group.

The defined benefit pension costs comprise of the contributions payable to non-contributory pension scheme administered by BMO London Branch.

As the Bank of Montreal is the sponsoring employer, the Company's financial statements recognise a cost equal to their contribution for the period. The Bank of Montreal Group financial statements include the net defined benefit cost of the plan.

The emoluments of Directors are set out below:

	2023	2022
	£'000	£'000
Aggregate emoluments excluding pension contributions paid to or receivable by Directors in the year	635	653
Aggregate amount of Company contributions to defined benefit pension and money purchase schemes in respect of Directors in the year	122	115
Amount payable to Directors relating to long term incentive scheme	151	158
Number of Directors to whom benefits are accruing under defined benefit pension schemes	2	2
Aggregate value of accrued pensions of Directors under the defined benefit pension scheme	73	67
 Emoluments excluding pension contributions paid to or receivable by the highest paid Director in the year	 207	 256
Amount of Company contributions to defined benefit pension scheme or money purchase scheme in respect of the highest paid Director in the year	17	39

## 9 Other Operating Expenses

	2023 £'000	2022 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	(128)	(108)
Fees payable to the Company's auditor for other audit related services	(28)	(26)
Amortisation and depreciation	(340)	(387)
Gain on disposal of fixed assets	79	-
Consulting Fees	(494)	(486)
Travel	(847)	(601)
Occupancy	(2,250)	(1,671)
Communications	(4,622)	(2,904)
Trading related expenses	(3,344)	(2,419)
Other expenses including support costs	(1,784)	(5,135)
	<b>(13,758)</b>	<b>(13,737)</b>
Including related party expenses		
BMO London Branch	-	-
Bank of Montreal	(2,149)	(2,953)
Bank of Montreal Europe Plc	(433)	(618)
BMO Capital Markets Corp	3,506	2,728
BMO Hong Kong Branch	(95)	(95)
Other Group Entities	(844)	(335)
	<b>(15)</b>	<b>(1,273)</b>

The Other expenses including support costs total has been restated from the prior year owing to the splitting out of the consulting fees and travel amounts. The previous presentation was (6,222).

## 10 Income Tax

	2023 £'000	2022 £'000
<b>Current Tax:</b>		
<i>United Kingdom:</i>		
UK tax before double tax relief	(1,666)	(753)
UK corporation tax on income for the year	(1,666)	(753)
<i>Foreign Tax:</i>		
Foreign tax on income for the year	(115)	(102)
Foreign tax relief/other relief	-	72
Adjustment in respect of prior period	76	(428)
<b>Total current tax charge</b>	<b>(1,705)</b>	<b>(1,211)</b>
<b>Deferred Tax:</b>		
Deferred tax credit/(charge) on temporary differences	(5)	(28)
Change in tax rates	(1)	44
Adjustment in respect of prior years	(108)	68
<b>Total deferred tax credit/(charge)</b>	<b>(114)</b>	<b>84</b>
<b>Total tax charge for the year</b>	<b>(1,819)</b>	<b>(1,127)</b>

The tax charge on activities for the year is different from the standard rate of UK corporation tax as detailed below:

The UK Government, on 3 March 2021, announced that the rate of corporation tax would increase from 19% to 25% effective 1 April 2023. This was substantively enacted on 24 May 2021. Accordingly, the corporate tax for the year ended 31 October 2023 has been recorded using a blended rate of 22.52% (2022: 19%) and the closing deferred tax asset for the year ended 31 October 2023 has been recorded at 25% being the rate at which the temporary differences are expected to reverse.

Finance (No. 2) Act 2023 received Royal Assent on 11 July 2023. This Act includes the legislation governing the UK's implementation of 'top-up' taxes - the OECD/G20 agreed 'Pillar Two' imposing minimum taxation for large multinational groups. The domestic top-up tax, which is effective for accounting periods commencing on or after 31 December 2023, is a new tax on certain UK entities that is intended to ensure that any profits arising in the UK are taxed at the minimum rate of 15%. The Company has performed an assessment of the impact of the Pillar Two rules. Based on the assessment performed, the Pillar Two effective tax rate in the UK is above 15% and management is not currently aware of any circumstances under which this might change. Therefore, the Company does not expect a potential exposure to Pillar Two top-up taxes.

	2023 £'000	2022 £'000
Profit on ordinary activities before tax	7,100	3,885
Tax charge at standard rate of UK corporation tax of 22.52% (2022: 19%)	(1,599)	(738)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	(110)	(97)
Income not taxable	38	54
Change in tax rates	(1)	44
Higher tax rates on overseas earnings	(115)	(30)
Adjustments to tax in respect of previous periods	(32)	(360)
<b>Total tax charge for the year</b>	<b>(1,819)</b>	<b>(1,127)</b>
<b>Current Tax Asset</b>	<b>2023 £'000</b>	<b>2022 £'000</b>
Foreign tax debtor	145	-
	145	-
<b>Current Tax Liability</b>	<b>2023 £'000</b>	<b>2022 £'000</b>
UK Corporation tax creditor	231	(251)
Group relief creditor	-	182
	231	(69)

## 11 Deferred Tax

	2023	2022
	£'000	£'000
<b>Deferred tax asset</b>	<b>550</b>	<b>769</b>
The deferred tax asset arises from:		
Deferred capital allowances	157	162
Other temporary differences	498	607
Government securities at Fair Value through OCI	(105)	-
	<b>550</b>	<b>769</b>
Reconciliation of deferred tax assets:		
At beginning of year	769	685
Deferred tax charged to profit and loss	(114)	16
Government securities at Fair Value through OCI	(105)	-
Adjustment in respect of prior years	-	68
At year end	<b>550</b>	<b>769</b>

The deferred tax asset relates to unpaid bonuses, instruments recorded at fair value through other comprehensive income and differences between net book value of fixed assets and their tax written down values.

## 12 Securities

	2023	2022
	£'000	£'000
<b>Trading</b>		
Common stock	145,573	318,818
<b>Fair value through other comprehensive income</b>		
Government securities	96,887	77,010
	<b>242,460</b>	<b>395,828</b>

There was a large reduction in the trading securities held on the ADR/ORD book year on year owing to lower volumes owing to lower book limits.

## 13 Securities Borrowed or Purchased Under Resale Agreement

	2023	2022
	£'000	£'000
One month or less	8,735	117,955
Between one month and three months	82,305	87,184
Between three months and one year	-	261,552
	<b>91,040</b>	<b>466,691</b>
Including amounts due from related parties		
BMO Capital Markets Corp	3,011	32,332
BMO London Branch	-	13,893
	<b>3,011</b>	<b>46,225</b>

The reduction year on year is attributable to the closing out of the collateral optimisation trades.



**14 Due from Banks and Similar Financial Institutions**

	2023 £'000	2022 £'000
One month or less	1,700	743
Between one month and three months	-	1,651
	<b>1,700</b>	<b>2,394</b>
Including amounts due from related parties		
Bank of Montreal	350	249
BMO Chicago Branch	-	(9)
Bank of Montreal Europe plc	301	1,657
BMO Capital Markets Corp	205	-
	<b>856</b>	<b>1,897</b>

**15 Derivatives**

The Company currently only holds over the counter ("OTC") foreign exchange forwards which it uses for non-trading purposes, primarily for economic hedging in conjunction with the management of foreign exchange risk in the securities borrowing business.

As at 31 October 2023	2023 £'000	2023 £'000	2023 £'000
Derivative assets and liabilities	Notional amount	Year- end derivative asset	Year- end derivative liability
OTC Derivatives			
Foreign exchange contract	45,165	13	(1)
As at 31 October 2022	2022 £'000	2022 £'000	2022 £'000
Derivative assets and liabilities	Notional amount	Year- end derivative asset	Year- end derivative liability
OTC Derivatives			
Foreign exchange contract	37,352	170	(52)

## 16 Premises and Equipment

	Fixtures & Fittings	Computers	Software	Leasehold Improvements	Right-of-Use Assets	Total
Cost	£'000	£'000	£'000	£'000	£'000	£'000
At 1st November 2022	345	873	57	1,285	935	3,495
Disposals	-	(136)	-	-	-	(136)
At 31st October 2023	345	737	57	1,285	935	3,359
<b>Accumulated Depreciation</b>						
At 1st November 2022	270	455	43	1,279	307	2,354
Charge for the year	14	176	11	6	133	340
On disposals	-	(79)	-	-	-	(79)
At 31st October 2023	284	552	54	1,285	440	2,615
<b>Net Book Value</b>						
At 31st October 2023	61	185	3	-	495	744
At 31st October 2022	75	418	14	6	628	1,141

## 17 Goodwill

Goodwill includes goodwill arising from business combinations.

There were no changes in the carrying amount of goodwill for the CGU, Paloma for the year ended 31 October 2023 and 31 October 2022. The carrying amount as at 31 October 2023 remained the same as cost at £864,000 (2022: £864,000). Paloma relates to the Equity Finance and ADR/Ord business lines.

There were no write-downs of goodwill due to impairment during the years ended 31 October 2023 and 2022.

### Key Inputs and Assumptions

The Company calculates the recoverable amount using the discounted cash flow ("DCF") method that projects future cash flows, which are discounted to their present value.

The strategic three year plan provides a good foundation for the DCF because senior management is committed to achieving the forecasted results and their performance will be evaluated against the strategic plans.

A terminal growth rate multiple of 9.8 (2022: 9.9) and discount rate of 11.3% (2022: 11.2%) were used in the annual impairment tests.

Management have assessed that the fair value of the Paloma CGUs exceeds the respective carrying value by £14m and there is no impairment to the carrying value of the goodwill for 2023.

**18 Other Assets**

	2023	2022
	£'000	£'000
Prepayments	635	391
Settlement accounts and trade debtors	349,825	218,207
Other assets	3,831	2,725
	<b>354,291</b>	<b>221,323</b>
Including amounts due from related parties		
BMO Nesbitt Burns Inc	1,698	2,917
Bank of Montreal Europe plc	508	-
BMO Capital Markets Corp	212	124
Bank of Montreal	227	1,180
	<b>2,645</b>	<b>4,221</b>

Included within other assets are receivable balances totalling £1,831,000 (2022: £1,583,000) associated with revenue from contracts with customers. This is shown net of an expected credit loss provision of £2,472,000 (2022: nil). Revenue and the associated receivable balances are recognised as the performance obligations per the contract are satisfied. The receivable balances represent the Company's right to consideration and is unconditional except for the passage of time.

The year on year increase is attributable to increased pending trades arising from increased trading volumes in cash equities.

**19 Securities Sold but Not Yet Purchased**

	2023	2022
	£'000	£'000
Equity shares	145,874	308,035

Decrease resulting from closing out of collateral optimisation trades over the year.

**20 Securities Lent or Sold Under Repurchase Agreement**

	2023	2022
	£'000	£'000
One month or less	1,685	88,035
	<b>1,685</b>	<b>88,035</b>
Including amounts due to related parties		
BMO Capital Markets Corp	1,265	499
BMO London Branch	-	6,533
	<b>1,265</b>	<b>7,032</b>

## 21 Due to Banks and Similar Financial Institutions

	2023	2022
	£'000	£'000
One month or less	7,052	42,564
Between one month and three months	82,605	174,368
Between three months and one year	132	174,222
	<b>89,789</b>	<b>391,154</b>
Including amounts due to related parties		
BMO London Branch	88,659	391,098
Bank of Montreal	538	56
Bank of Montreal Europe plc	301	-
BMO Capital Markets Corp	132	-
BMO Hong Kong	159	-
	<b>89,789</b>	<b>391,154</b>

The reduction year on year is attributable to the closing out of the collateral optimisation trades.

## 22 Other Liabilities

	2023	2022
	£'000	£'000
Settlement accounts and trade creditors	343,192	184,001
Accruals and deferred income	9,908	10,728
Lease liabilities	481	648
	<b>353,581</b>	<b>195,377</b>
Including amounts due to related parties		
BMO Nesbitt Burns Inc	232	181
BMO Capital Markets Corp	245	247
BMO London Branch	-	176
Bank of Montreal	788	-
Bank of Montreal Europe plc	1,961	2,307
	<b>3,226</b>	<b>2,911</b>

Interest expense on lease liabilities for the year ended 31 October 2023 was £20,000 (31 October 2022: £21,000). There were no amounts relating to leases of low value which were expensed during the year ended 31 October 2023 or 31 October 2022. Total cash outflow for leases for the year ended 31 October 2023 was £68,000 (31 October 2022: £79,000). Variable lease payments (for example maintenance, utilities, and property taxes) not included in the measurement of lease liabilities for the year ended 31 October 2023 was £34,000 (31 October 2022: £28,000).

The existing lease pertaining to the Melbourne premises was extended in January 2022 to end 31 October 2027 at an additional obligation amount of £623,000.

The maturity profile for our remaining undiscounted lease liabilities for 2023 is £627,000.

The year on year increase is attributable to increased pending trades arising from increased trading volumes in cash equities.

## 23 Share Capital

	2023 £'000	2022 £'000
<b>Allotted, called up and fully paid</b>		
88,100,000 Ordinary shares of £1.25 each	110,125	110,125
24,565,000 Ordinary shares of £0.55139 each	13,545	13,545
	<b>123,670</b>	<b>123,670</b>

## 24 Investments

The Company has the following subsidiary undertaking, which has share capital of £100 and is 100% owned by the Company at 31 October 2023.

	Nature of business	Accounting year end	Country of registration
BMO Capital Markets (Nominees) Limited	Nominee company	31 October	England

The registered company address of the subsidiary is Sixth Floor, 100 Liverpool Street, London, EC2M 2AT.

Our ability to transfer funds between our subsidiaries may be restricted by statutory, contractual, capital and regulatory requirements. Restrictions could include regulatory and statutory requirements that reflect capital and liquidity requirements.

## 25 Pension

The Bank of Montreal, London operates a defined benefit pension plan (the Bank of Montreal 1972 UK Pension Plan (the "Plan")) and several defined contribution schemes which incorporate the staff of the BMO London Branch and its subsidiaries.

The Bank of Montreal, London is legally the sponsoring employer of the Plan and the net defined benefit cost for the Plan is shown in the Bank of Montreal's ("the Bank") accounts. The Company recognises a cost equal to their contribution for the period. The amount of contribution is determined by head office in Canada, it is then allocated to the various cost centres based on a pro rata as a percentage of gross salaries.

The Plan closed to future accrual on 31 August 2015 although active members at that point maintained a link to future salary increases in respect of service accrued up to 31 August 2015. With effect from 1 September 2015, all Plan members were eligible to join the main UK defined contribution scheme for future pension accrual.

During 2019, the Trustee purchased a buy-in insurance contract with Rothesay Life which covers the benefits payable to pensioner members, deferred members, and active members. Any increase for active members as a result of the continued salary link was subject to an annual true up process with Rothesay Life. With effect from 1 January 2023, the link to future salary increases ceased and the affected members were granted additional deferred benefits. In October 2023, a premium was paid to insure these benefits. In addition to the insurance contract, there remains a sterling liquidity fund investment of around £7.3m.

The last formal triennial actuarial valuation of the Plan was undertaken as at 31 October 2020. This actuarial valuation showed a short fall against the Technical Provisions of £0.3m. In agreeing the recovery plan, the

Trustee and Bank agreed to make allowance for voluntary contributions and experience since the valuation date. As a result, no shortfall contributions were required as the Plan was in surplus at the valuation date. Details of the Company's contribution to the Plan can be seen in note 8.

Staff members who were not part of the Plan prior to April 2012 are members of defined contribution schemes to which the Bank contributes a certain percentage to the fund. With effect from 1 September 2015, all Plan members also joined the main UK defined contribution scheme for pension accrual from that date.

## 26 Related Parties

### Transaction with Other Company Entities

In the normal course of business, the Company provides certain financial services to other company entities including financing, placing deposits and inter company management fees. These transactions were made on substantially the same terms as for comparable transactions with third-party counterparties. Details of such related party transactions are disclosed in the related notes to the financial statements above.

BMOCML's Provision and Receipt of services from related parties are as follows:

BMO London Branch	Provision of Support (Operations and Stock Lending) and Management Services from BMOCML staff to BMO London, and provision of research services; receipt of support and senior management services and reimbursable 3rd party costs incurred by Toronto.
BMO Capital Markets Corp	Provision of trading and GMO Operations and Stock Lending services; receipt of equities research services and system and UK account set up support related to international equities and fixed-income products; EET licence fees.
BMO Nesbitt Burns Inc	Revenue sharing related to provision of equity underwriting services provided to 3rd parties; provision of settlement services for all international equity trades; receipt of equities research services; I&CB international staff secondment costs; custody and clearing services.
BMO Chicago Branch	Receipt of support services regarding counterparty credit facilities.
Bank of Montreal Europe Plc	Provision of CM Technology Development and GMO Operations and Stock Lending services and provision of research services; receipt of senior management and support services provided to cash equities; acting as principal in collecting underwriting and issuance fees.
BMO Hong Kong Branch	Receipt of sales services to institutional Asian clients.
Bank of Montreal	Receipt of support services regarding counterparty credit facilities and software development and maintenance.

### Compensation of Key Management Personnel

Related parties include key management personnel and their close family members. Close family members include spouses, common-law partners and dependent minors. Key management personnel is defined as those persons having authority and responsibility for planning, directing and/or controlling our activities, directly or indirectly. Senior management of the "Company" plan, direct and control the day-to-day business activities. These business activities are carried out within the strategic framework established by the executive of our ultimate parent, the Bank. Thus, our key management personnel have been determined to be the Bank's Board of Directors and certain key executives (together "key management personnel") as they provide overall direction and oversight for the Bank. The key management personnel are ultimately responsible for all material decisions of the Bank. The key management personnel are also responsible for establishing the overall strategic direction of the consolidated Bank, both domestically and internationally and, in that regard, establish such parameters for the consolidated Bank within which the Board of Directors and management of each subsidiary in the consolidated Bank exercise their

discretion to make decisions concerning the strategic direction and day-to-day management of the operations of the particular subsidiary. The Bank's Directors oversee the management of the business and provide stewardship.

The following table presents the compensation of the Bank's key management personnel:

(Canadian \$ in thousands)	2023	2022
Base salary and incentives	22,056	25,193
Post-employment benefits	1,824	2,529
Share-based payments (1)	48,616	45,007
Total key management personnel compensation	72,496	72,729

(1) Amounts included in share-based payments are the fair values of awards granted in the year.

The Bank offers its senior executives market interest rates on credit card balances, a fee-based subsidy on annual credit card fees, and a select suite of customer loan and mortgage products at rates normally accorded to preferred customers. At October 31, 2023 loans and undrawn credit commitments to key management personnel and their close family members totalled \$15,703 (\$20,208 in 2022). The Bank has no specific provision for credit losses related to these amounts as at October 31, 2023 and 2022.

The Bank's Directors receive a specified amount of their annual retainers in deferred stock units. Until a Director's shareholdings (including deferred stock units) are eleven times greater than their annual retainer, they are required to take 100% of their annual retainer and other fees in the form of either our common shares or deferred stock units. Once the shareholding requirements have been met, Directors may elect to receive the remainder of such retainer fees and other remuneration in cash, common shares or deferred stock units.

## 27 Events After the Reporting Period

As disclosed in note 18, the company has recorded an impairment charge for an outstanding I&CB receivable. Subsequent to the year end date, an affiliated entity of the associated contracted I&CB counterparty has agreed to indemnify the contracted counterparty.

## 28 Ultimate Holding Company

The Company's immediate and ultimate parent undertaking and controlling party is Bank of Montreal, incorporated in Canada. The largest company in which the results of the Company are consolidated is that headed by The Bank of Montreal. The consolidated accounts of the immediate and ultimate parent company are available from Bank of Montreal, Public Affairs Department, P.O. Box 6002, Place d'Armes, Montreal, Quebec H2Y 1L7, Canada or P.O. Box 1, First Canadian Place, Toronto, Ontario M5X 1A1, Canada. The registered address of the parent company is 119, rue Saint-Jacques Montreal, Quebec H2Y 1L6.

## 29 EU Capital Requirements Directive IV ("CRD IV") disclosure

Article 89 of CRD IV requires credit institutions and investment firms to report the following information by member state and third countries in which it has an establishment: nature of activities, geographical location, turnover and number of employees on a full-time equivalent basis, the profit or loss before tax, the corporation tax paid and public subsidies received. The below show the required disclosures for the Company which conducts investment banking business.

**CRD IV Country by Country Disclosures****i) The name and geographical locations of Representative Offices and the Subsidiary of the Company.**

Name of Subsidiary/Representative Office	Type of Entity	Nature of Business	Geographical Location
BMO Capital Markets Ltd: Australia Representative office	Representative Office	Investment Banking	Australia
BMO Capital Markets (Nominees) Limited	Subsidiary	Nominee Company	United Kingdom

**CRD IV Country by Country Disclosures (continued)**

Nature of activities, turnover, number of employees on a full-time basis, profit or loss before tax, corporation tax paid and public subsidies received.

Entity	BMO CML	BMO Capital Markets (Nominees) Limited		BMO CML	
Nature of activities	Investment Banking	Nominee Company	Total UK	Investment Banking	Total
Geographical location	UK	UK	UK	Australia	Global
Turnover (£'000)	38,557	-	38,557	7,211	45,768
Average number of employees on a full-time equivalent basis	101	-	101	10	111
Profit before tax (£'000)	6,444	-	6,444	656	7,100
Net corporation tax paid/(refunded) (£'000)	502	-	502	260	762
Net group relief tax paid/(received) (1) (£'000)	182	-	182	-	182
Public subsidies received (£'000)	-	-	-	-	-

(1) Group relief tax paid relates to payments made to group companies in respect of group relief received.